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# Fuel Tax Credits and Refunds



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## Important Changes

**Rate changes.** New rates took effect during 1997 for most fuels. Check the current forms or their instructions for the correct rate.

**Commercial aviation.** The credit or refund for fuel used in commercial aviation applies to the tax paid on fuel after March 6, 1997. This applies to aviation gasoline and aviation fuel (other than gasoline).

**Emergency medical air transportation.** Fuels used in a helicopter providing emergency medical services are exempt from the excise tax. This exemption is extended to fuels used by a fixed-wing aircraft equipped for and exclusively dedicated on that flight to acute care emergency medical services. The extension to fixed-wing aircraft is retroactive to August 27, 1996.

**Diesel fuel used in boats.** The excise tax on diesel fuel used or sold for use in boats had been suspended from August 27, 1996, through December 31, 1997. This tax is repealed as of January 1, 1998.

**Kerosene.** Effective July 1, 1998, kerosene is generally subject to the same excise tax rules that apply to diesel fuel. See *Kerosene*, later.

## Introduction

This publication covers federal fuel tax credits you may be able to claim on your income tax

return. It also covers fuel tax refunds you can claim during the year.

This publication discusses:

- The uses of fuels that qualify for a refund or credit,
- The kinds of fuels that qualify for a refund or credit,
- How to claim a refund or credit for fuel taxes, and
- The alcohol fuels credit.

It also contains an example near the end of the publication with a filled-in Form 4136, *Credit for Federal Tax Paid on Fuels*.

## Useful Items

You may want to see:

### Publication

- 510** Excise Taxes for 1998

### Form (and Instructions)

- 4136** Credit for Federal Tax Paid on Fuels
- 8849** Claim for Refund of Excise Taxes

See *How To Get More Information* near the end of this publication for information about getting publications and forms.

## Fuels Used in Farming

You may be eligible to claim a credit or refund of excise taxes included in the price of fuel used on a farm for farming purposes. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the discussion on that fuel.



*Only a registered ultimate vendor can claim a credit or refund for undyed diesel fuel (or undyed kerosene) used on a farm for farming purposes. See the discussion under Diesel Fuel or Kerosene.*

**Farm.** A farm includes livestock, dairy, fish, poultry, fruit, fur-bearing animals, and truck farms, orchards, plantations, ranches, nurseries, ranges, and feed yards for fattening cattle. It also includes structures such as greenhouses used primarily for the raising of agricultural or horticultural commodities. A fish farm is an area where fish are grown or raised — not merely caught or harvested. The farm must be operated for profit. It must be located in any of the 50 states or the District of Columbia.

**Farming purposes.** As the owner, tenant, or operator, you use fuel on a farm for farming purposes if you use it:

- 1) To cultivate the soil or to raise or harvest any agricultural or horticultural commodity.
- 2) To raise, shear, feed, care for, train, or manage livestock, bees, poultry, fur-bearing animals, or wildlife.
- 3) To operate, manage, conserve, improve, or maintain your farm, tools, or equipment.
- 4) To handle, dry, pack, grade, or store any raw agricultural or horticultural commodity.

ity. For this use to qualify, you must have produced more than half the commodity that was so treated during the tax year. Commodity means a single raw product. For example, apples and peaches are two separate commodities.

- 5) To plant, cultivate, care for, or cut trees or to prepare (other than sawing into lumber, chipping or other milling) trees for market, but only if the planting, etc., is incidental to your farming operations. Your tree operations will be incidental only if they are minor in nature when compared to the total farming operations.

If any other person, such as a neighbor or custom operator, performs a service for any of the purposes listed in (1) or (2) for you on your farm, you are considered to be the person that used the fuel on a farm for farming purposes. However, see *Custom application of fertilizer and pesticide*, later.

If doubt exists whether the owner, the tenant, or the operator of the farm bought the fuel, determine who bore the cost of the fuel. For example, if the owner of a farm and the tenant share the cost of the gasoline 50–50, each can claim a credit for the tax on one-half of the fuel used. If you sell gasoline to a neighbor who used it on a farm for farming purposes, your neighbor may be able to claim the credit on the fuel.

**Custom application of fertilizer and pesticide.** The use of fuel in the aerial or other application of fertilizer, pesticides, or other substances is a use of fuel on a farm for farming purposes. You, as the owner, tenant, or operator, may claim the credit or refund (other than on diesel fuel). You may waive your right to the claim and allow the applicator to make the claim for the fuel (other than diesel fuel). If you waive your right, the applicator is treated as having used the fuel on a farm for farming purposes.

**Waiver.** To waive your right to the credit or refund, you must:

- 1) Execute in writing an irrevocable statement that you knowingly give up your right to the credit or refund.
- 2) Identify clearly the period that the waiver covers. The effective period of your waiver cannot extend beyond the last day of your tax year.
- 3) Sign the waiver before the applicator files his or her claim. Once you sign the waiver, you cannot revoke it. You may authorize an agent, such as a cooperative, to sign the waiver for you.
- 4) Keep a copy of the waiver for your records and give a copy of the signed waiver to the applicator. Do **not** send this waiver to the Internal Revenue Service unless requested to do so.

The waiver may be a separate document or it may appear on an invoice or another document from the applicator. If the waiver appears on an invoice or other document, it must be printed in a section clearly set off from all other material, and it must be printed in type sufficiently large to put you on notice that you are waiving your right to the credit or refund. If the waiver appears as part of an invoice or other document, it must be signed separately from any other item that requires your signature.

Sign a separate waiver for each tax year or part of a tax year in which the fuel was used. When the period covered by the waiver extends beyond the applicator's tax year, the applicator must wait until the next tax year to claim the portion for that period.

**Fuel not used for farming.** You do not use fuel on a farm for farming purposes when you use it:

- Off the farm, such as on the highway or in noncommercial aviation, even if the fuel is used in transporting livestock, feed, crops, or equipment;
- For personal use, such as mowing the lawn;
- In processing, packaging, freezing, or canning operations; or
- In processing crude gum into gum spirits of turpentine or gum resin or in processing maple sap into maple syrup or maple sugar.

## Fuels Used in Boats

You may be eligible to claim a credit or refund of excise tax included in the price of the fuel used in certain boats. To determine whether fuel is used for a qualifying purpose, see the discussion on that fuel.

**Commercial fishing.** Boats used in commercial fishing include only watercraft used in taking, catching, processing, or transporting fish, shellfish, or other aquatic life for commercial purposes, such as selling or processing the catch, on a specific trip basis. They include boats used in both fresh and salt water fishing. They do not include boats used for both sport fishing and commercial fishing on the same trip. Fuel used in aircraft to locate fish is not fuel used in commercial fishing.

**Supplies for vessels.** Supplies for vessels include fuel supplies, ships' stores, and sea stores of vessels of war of the United States or any foreign nation and vessels engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions.

## Fuels Used in Off-Highway Business Use

You may be eligible to claim a credit or refund of excise tax included in the price of fuel if you used the fuel in an off-highway business use. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the discussion on that fuel.

**Off-highway business use.** Off-highway business use is any use of fuel in a trade or business or in an income-producing activity. It does not include use in a highway vehicle registered for use on public highways. Off-highway use includes use of a vehicle owned by the United States, whether or not registered for highway use, that is not used on public highways during the period covered by the claim. Do not consider any use in a boat as an off-highway business use.



If undyed diesel fuel or undyed kerosene is used on a farm for farming purposes (discussed earlier) or for the exclusive use of a state or local government, the fuel cannot be considered as being used in an off-highway business use.

**Highway vehicle.** A highway vehicle is any self-propelled vehicle designed to carry a load over public highways, whether or not also designed to perform other functions. Examples of vehicles designed to carry a load over public highways are passenger automobiles, motorcycles, buses, highway-type trucks, and truck tractors. A vehicle is a highway vehicle even though the vehicle's design allows it to perform a highway transportation function for only:

- A particular type of load, such as passengers, furnishings, and personal effects (as in a house, office, or utility trailer),
- A special kind of cargo, goods, supplies, or materials, or
- Some off-highway task unrelated to highway transportation, except as discussed next.

**Vehicles not considered highway vehicles.** Generally, the following kinds of vehicles are not considered highway vehicles:

- 1) Specially designed mobile machinery for nontransportation functions. A self-propelled vehicle is not a highway vehicle if it consists of a chassis that—
  - a) Has permanently mounted to it machinery or equipment used to perform certain operations (construction, manufacturing, drilling, mining, timbering, processing, farming, or similar operations) if the operation of the machinery or equipment is unrelated to transportation on or off the public highways,
  - b) Has been specially designed to serve only as a mobile carriage and mount for the machinery or equipment, whether or not the machinery or equipment is in operation, and
  - c) Because of its special design, could not, without substantial structural modification, be used as part of a vehicle designed to carry any other load.
- 2) Vehicles designed for off-highway transportation. A self-propelled vehicle is not a highway vehicle if—
  - a) The vehicle is designed primarily to carry a specific kind of load other than over the public highway for certain operations (construction, manufacturing, mining, processing, farming, drilling, timbering, or similar operations), and
  - b) The vehicle's use in carrying this load over public highways is substantially limited or impaired because of its design. To determine if the use is substantially limited or impaired, you may take into account whether the vehicle may travel at regular highway speeds, requires a special permit for highway use, or is overweight, overheight, or overwidth for regular highway use.

**Public highway.** A public highway includes any road in the United States that is not a private roadway. This includes federal, state, county, and city roads and streets.

**Registered.** A vehicle is considered registered when it is registered or required to be registered for highway use under the law of any state, the District of Columbia, or any foreign country in which it is operated or situated. Any highway vehicle operated under a dealer's tag, license, or permit is considered registered. A highway vehicle is not considered registered solely because a special permit allows the vehicle to be operated at particular times and under specified conditions.

**Fuel used for power take-offs.** You cannot take a credit or refund for fuel used in the propulsion motor of a highway vehicle even though that motor also operates special equipment by a power take-off or power transfer. It does not matter if the special equipment is mounted on your vehicle.

**Example 1.** Frank owns a registered concrete-mixer truck. The truck's motor operates both the engine and the mixing unit by a power take-off. Frank cannot take a credit or refund for the fuel used in the motor to run the mixer.

**Example 2.** Velma owns and operates a registered fuel-oil delivery truck. The truck's motor powers the pump that discharges the fuel into her customer's storage tanks. She cannot take a credit or refund for the fuel used in the motor to operate the pump.

**Separate motor.** The fuel you use in a separate motor to operate special equipment, such as a refrigeration unit, pump, generator, or mixing unit, may qualify for a credit or a refund. If you draw fuel from the same tank to operate both motors, you must figure the quantity used in the separate motor operating the special equipment. You may make a reasonable estimate based on your operating experience and supported by your records.

You can use devices that measure the miles the vehicle has traveled (such as hubometers) to figure the gallons of fuel used to propel the vehicle. Add to this amount the fuel consumed while idling or warming up the motor before propelling the vehicle. The difference between your total fuel used and the fuel used to propel the vehicle is the fuel used in the separate motor.

**Example.** Sara owns a refrigerated truck. It has a separate motor for the refrigeration unit. The same gasoline tank supplies both motors. Using the truck's hubometer, Sara figures that 90% of the gasoline was used to propel the truck. Therefore, she qualifies for a credit or refund on 10% of the gasoline determined to be used in an off-highway business use.

**Fuel lost or destroyed.** You cannot treat fuel lost or destroyed through spillage, fire, or other casualty as fuel used in an off-highway business use.

**Examples.** Off-highway business use in a trade or business or income-producing activity includes fuels used:

- In stationary machines such as generators, compressors, power saws, and similar equipment;

- For cleaning purposes;
- In forklift trucks and bulldozers; and
- In vehicles operating off the highway in construction, mining, or timbering activities if the vehicles are neither registered nor required to be registered.

Generally, it does not include nonbusiness, off-highway use of fuel, such as use by minibikes, snowmobiles, power lawn mowers, chain saws, and other yard equipment.

**Example.** Joanna owns a landscaping business. She uses power lawn mowers and chain saws in her business. The gasoline used in the power lawn mowers and chain saws qualifies as fuel used in an off-highway business use. She can claim a credit or refund of the excise tax included in the price of the gasoline that she used in her business. The gasoline used in her personal lawn mower at home does not qualify for the credit or refund.

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## Fuels Used in Buses

You may be eligible to claim a credit or refund of excise tax included in the price of fuel if you use the fuel in buses engaged in providing the type of transportation discussed here. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the discussion on that fuel.

**Intercity or local buses.** Fuel is used in an intercity or local bus when the bus is used to furnish (for compensation) passenger land transportation that is available to the general public. The bus must be engaged in:

- Scheduled transportation along regular routes regardless of the size of the bus, or
- Nonscheduled (charter) operations if the seating capacity of the bus is at least 20 adults, not including the driver. Vans and similar vehicles used for van-pooling or taxi service do not qualify.

Available to the general public means that you offer service to more than a limited number of persons or organizations. If a bus operator normally provides charter operations through travel agencies but has buses available for chartering by the general public, this service is available to the general public. A bus does not qualify when its operator uses it to provide exclusive services to only one person, group, or organization.

For the amount of the credit or refund allowable, see the form that applies.

**School buses.** Fuel is used in a school bus when the bus is used in transporting students or school employees. A school is an educational organization with a regular faculty and curriculum. It has a regularly enrolled body of students who attend the place where the educational activities occur.

A credit or refund is allowable for the full amount of excise tax paid on fuels used in these buses.

**Qualified local bus.** Fuel (other than gasoline) is used in a qualified local bus when the bus:

- Furnishes (for compensation) intracity passenger land transportation available to the general public,
- Operates along scheduled, regular routes,
- Has a seating capacity of at least 20 adults (excluding the driver), and
- Is under contract with or receiving more than a nominal subsidy from any state or local government to furnish the transportation.

A credit or refund is allowable for the full amount of excise tax paid on fuels (other than gasoline) used in these buses.

**Intracity passenger land transportation** means the land transportation of passengers between points located within the same metropolitan area. It includes transportation along routes that cross state, city, or county boundaries if the routes remain within the metropolitan area.

**Under contract.** A bus is under contract with a state or local government only if the contract imposes a bona fide obligation on the bus operator to furnish the transportation. A subsidy is more than nominal if it is reasonably expected to exceed an amount equal to 3 cents multiplied by the number of gallons of fuel used in buses on subsidized routes.

A company that operates its buses along subsidized and unsubsidized routes may consider its buses qualified local buses only when the buses are used on the subsidized intracity routes.

## Gasoline

Uses of gasoline for which credit or refund may be allowable:

### Credit Only:

Use on a farm for farming purposes

### Credit or Refund:

- Off-highway business use
- Use in intercity, local, or school buses
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Export, including shipment to a possession of the U.S.
- Supplies for vessels
- Blendstocks not used to produce gasoline
- Use in boats used in commercial fishing
- Aircraft museums

**Gasoline** includes all products commonly or commercially known or sold as gasoline (including gasohol) that are suitable for use as a motor fuel with an octane rating of 75 or more. It also includes gasoline blendstocks that are discussed in Publication 510.

**State or local government** means any state, any political subdivision thereof, or the District of Columbia. Treat an **Indian tribal government** as a state only if a transaction involves the exercise of an essential tribal government function. For gasoline and diesel fuel tax purposes, the term state includes the American Red Cross.

**Nonprofit educational organization** means an organization exempt from income tax under section 501(a) of the Internal Revenue Code that meets the following tests:

- It has a regular faculty and curriculum.
- It has a regularly enrolled body of students who attend the place where the instruction normally occurs.

A nonprofit educational organization also includes a school operated by a church or other organization described in section 501(c)(3) that meets the above tests.

**Aircraft museums.** An aircraft museum is an organization that is:

- 1) Exempt from income tax as an organization described in section 501(c)(3) of the Code;
- 2) Operated as a museum under a state (or District of Columbia) charter; and
- 3) Operated exclusively for acquiring, exhibiting, and caring for aircraft of the type used for combat or transport in World War II.

The credit or refund applies to fuel used in an aircraft or vehicle (such as a ground servicing vehicle for aircraft) owned by the museum and used exclusively for the purposes in item (3).

## Gasohol Blending

Blenders of gasohol who buy gasoline at a price that includes the full amount of the excise tax and use the gasoline to produce gasohol may be eligible for a credit or refund of part of the tax. This gasohol must be sold or used in your trade or business. The amount you may claim is based on each gallon of gasoline used to make gasohol. You cannot take a refund or credit if you purchased the gasoline at a reduced rate.

**Gasohol.** Gasohol is a mixture of gasoline and alcohol that satisfies the alcohol-content requirements immediately after the mixture is produced. Alcohol includes ethanol and methanol but does *not* include alcohol produced from petroleum, natural gas, coal (including peat), a derivative or product of these items, or alcohol that is less than 190 proof. Methanol produced from methane gas formed in waste disposal sites is not "alcohol produced from natural gas." Alcohol used to produce ethyl tertiary butyl ether (ETBE) generally qualifies as alcohol for these rules.

**Alcohol requirement.** To qualify as gasohol the mixture must contain a specific amount of alcohol by volume (without rounding). The amount of credit or refund depends on the type of gasohol you blend. The types of gasohol are:

- **10% gasohol.** This is a mixture that contains at least 9.8% alcohol.
- **7.7% gasohol.** This is a mixture that contains at least 7.55%, but less than 9.8%, alcohol.
- **5.7% gasohol.** This is a mixture that contains at least 5.59%, but less than 7.55%, alcohol.

Figure alcohol content on a batch-by-batch basis. If you splash blend a batch in an empty tank, figure the volume of alcohol (without adjustment for temperature) by dividing the metered gallons of alcohol by the total metered gallons of alcohol and gasoline as shown on each delivery ticket. However, if you add the metered gallons to a tank already containing more than 0.5% of its capacity in a liquid, you must include the amount of alcohol and non-alcohol fuel contained in that liquid in determining the volume of alcohol in that batch.

**Example 1.** John uses an empty 8,000 gallon tank to blend alcohol and gasoline. His delivery tickets show that he blended batch 1 using 7,200 metered gallons of gasoline and 800 metered gallons of alcohol. John divides the gallons of alcohol (800) by the total gallons of alcohol and gasoline delivered (8,000). Batch 1 qualifies as 10% gasohol.

**Example 2.** John blends batch 2 in an empty tank. According to his delivery tickets, he blended 7,220 gallons of gasoline and 780 gallons of alcohol. Because batch 2 contains only 9.75% alcohol ( $780 \div 8,000$ ), it qualifies as 7.7% gasohol.

**Batches containing at least 9.8% alcohol.** If a mixture contains at least 9.8%, but less than 10%, alcohol, part of the mixture is considered to be 10% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 10. The result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

**Example.** John uses an empty 8,000 gallon tank to blend gasoline and alcohol. The delivery tickets show that he blended 7,205 metered gallons of gasoline and 795 metered gallons of alcohol. He purchased the gasoline at a price that included the full amount of the excise tax. The batch contains 9.9375% alcohol ( $795 \div 8,000$ ). John determines that 7,950 gallons ( $10 \times 795$ ) of the mixture qualifies as 10% gasohol. The other 50 gallons is excess liquid. John reduces the amount of gasoline (7,205 gallons) by the excess liquid (50 gallons) to determine the amount of gasoline used to produce the 10% gasohol. He can claim a refund or credit for part of the excise tax paid on 7,155 gallons of gasoline. He cannot claim a refund or credit on the 50 gallons of excess liquid.

**Batches containing at least 7.55% alcohol.** If a mixture contains at least 7.55% alcohol but less than 7.7% alcohol, part of the mixture is considered to be 7.7% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 12.987. The result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

**Batches containing at least 5.59% alcohol.** If a mixture contains at least 5.59% but less than 5.7% alcohol, part of the mixture is considered to be 5.7% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 17.544. The result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The re-

maining gallons in the mixture are excess liquid on which no credit or refund is allowed.

**Expedited refund procedure.** A special procedure applies for claiming a refund of part of the excise tax included in the price of the gasoline used for blending into gasohol. Gasohol blenders may file Form 8849 to claim a refund of the excise tax on gasoline so used for any period for which the claim is \$200 or more and the period is not less than one week. No claim under this procedure will be allowed unless filed by the end of the first quarter following the earliest quarter included in the claim.

If you qualify and file for the special refund procedure, write "Gasohol Claim" at the top of Form 8849 and on the envelope you send to the IRS. You must mail the Form 8849 to the special address shown in the instructions for the form.

If the IRS does not pay a proper claim for refund filed under these procedures within 20 days, the IRS will pay interest on the refund.



You must keep records for each batch of gasohol. Your records must include the following information.

- The name and address of the person that sold you the gasoline.
- The date and location of the purchase of the gasoline.
- The number of gallons of gasoline.
- The name and address of the person that sold you the alcohol.
- The date and location of the purchase of the alcohol.
- The number of gallons and type of alcohol.

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## Aviation Gasoline

Uses of aviation gasoline for which credit or refund may be allowable:

**Credit Only:**

On a farm for farming purposes

**Credit or Refund:**

- Commercial aviation
- Supplies for aircraft
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Aircraft museums
- Certain helicopters

**Commercial aviation** is any use of an aircraft in the business of transporting persons or property by air for pay. However, commercial aviation does not include:

- Any use of an aircraft that has a maximum certificated takeoff weight of 6,000 pounds or less unless the aircraft is operated on an established line.
- For amounts paid after September 30, 1997, any use exclusively for the purpose of skydiving, or
- An aircraft owned or leased by a member of an affiliated group and unavailable for hire by nonmembers of the group.

The determination of whether an aircraft is available for hire by nonmembers is made on a flight-by-flight basis.

The credit or refund available for gasoline used in commercial aviation is limited. See the claim form for allowable amounts.

**Supplies for aircraft.** Supplies for aircraft include gasoline used in civil aircraft employed in foreign trade or trade between the United States and any of its possessions. Supplies for aircraft also include gasoline used in aircraft owned by the United States or by any foreign nation and constituting a part of their armed forces.

**Certain helicopter uses.** Gasoline used in a helicopter for:

- 1) Transporting individuals, equipment, or supplies in the exploration for, or the development or removal of, hard minerals, oil, or gas,
- 2) Planting, cultivating, cutting, transporting, or caring for trees (including logging operations), or
- 3) Providing transportation for emergency medical services.

For items (1) and (2), you are eligible for a credit or refund only if the helicopter does not take off from, or land at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise use services provided pursuant to section 44509 or 44913(b) or subchapter I of chapter 471 of title 49, United States Code, during that use. For item (1), treat each flight segment as a separate flight.

**Fixed-wing aircraft.** Fuels used in providing emergency medical services by a fixed-wing aircraft equipped for and exclusively dedicated on that flight to acute care emergency medical services are exempt from the excise tax. This provision is retroactive to August 27, 1996. However, no refund or credit is allowed for excise tax paid on fuels that are used for this purpose.



*As this publication was being prepared for print, Congress was considering legislation that would allow a refund or credit of the tax paid on fuels used by fixed-wing aircraft for this purpose.*

**Gasohol used in noncommercial aviation.** You may claim a credit or refund for part of the tax paid on gasohol used as a fuel in noncommercial aviation. Noncommercial aviation is any use of an aircraft other than for commercial aviation (defined earlier).

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## Special Motor Fuels

Uses of special motor fuels for which a credit or refund may be allowable:

**Credit Only:**

On a farm for farming purposes

**Credit or Refund:**

- Any use other than as a fuel in the propulsion engine of a motor vehicle or motorboat
- Off-highway business use
- Use in intercity, local, or school buses
- Export, including shipment to a possession of the U.S.

- Supplies for vessels
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Aircraft museums
- Boats used in commercial fishing

**Special motor fuels** generally include any liquid *other than* gasoline, diesel fuel, kerosene, gas oil, or fuel oil.

**Motor vehicle.** A motor vehicle includes all types of vehicles (whether or not you register or are required to register the vehicle for highway use) that are:

- Propelled by motor, and
- Designed for carrying or towing loads from one place to another, regardless of the type of load or material carried or towed.

Motor vehicles do not include any vehicle that moves exclusively on rails, or any of the following:

Farm tractors	Trench diggers
Power shovels	Bulldozers
Road graders	Road rollers
Similar equipment that does not carry or tow a load	

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## Compressed Natural Gas

Uses of compressed natural gas (CNG) for which a credit or refund may be allowable:

**Credit only:**

On a farm for farming purposes

**Credit or Refund:**

- Any use other than as a fuel in the propulsion engine of a motor vehicle or motorboat
- Off-highway business use
- Use in intercity, local, or school buses
- Export, including shipment to a possession of the U.S.
- Supplies for vessels
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Aircraft museums
- Boats used in commercial fishing

**Motor vehicle.** For this purpose, motor vehicle has the same meaning as given under *Special Motor Fuels*, earlier.

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## Diesel Fuel

No credit or refund is allowable for any use of *dyed* diesel fuel. You buy dyed diesel fuel tax free.

A credit or refund is allowed for tax paid on *undyed* diesel fuel used for a nontaxable purpose. Uses for which credit or refund may be allowable:

- On a farm for farming purposes (Ultimate vendors only. See *Claims by vendors*, later.)
- Off-highway business use
- Use as heating oil
- Use other than as a fuel in the propulsion engine of a diesel-powered highway vehicle, or train, such as use in stationary motors
- Use in intercity, local, or school buses (See *Qualified local bus* under *Fuels Used in Buses*, earlier.)
- Exclusive use of state and local governments (Ultimate vendors only. See *Claims by vendors*, later.)
- Exclusive use of nonprofit educational organizations
- Export, including shipment to a possession of the U.S.
- Use in a diesel-powered train
- Uses in any boat
- Vehicle use by aircraft museums



**CAUTION** You cannot consider fuel used on a farm for farming purposes or by a state or local government as being used for any other qualifying purpose. See *Claims by vendors*, later.

**Diesel fuel** is any liquid (other than gasoline) that is suitable for use as a fuel in a diesel-powered highway vehicle or train.

**Claims by vendors.** A registered ultimate vendor that sells **undyed** diesel fuel for use on a farm for farming purposes, or for use by a state or local government, is the only person allowed to claim a refund or credit of the excise tax included in the price paid by the vendor for that fuel.

An ultimate vendor means the seller of the undyed diesel fuel to the user of the fuel (the ultimate purchaser) for use on a farm for farming purposes or by state or local governments. A registered ultimate vendor is an ultimate vendor registered by the Internal Revenue Service.

Generally, the vendor must not have included the tax in the price of the fuel sold for these uses. See *Special rule for vendors*, later.

The buyers of fuel used for these purposes cannot claim a credit or refund of the tax on this fuel.

**Use on a farm.** The credit or refund is allowed to the registered ultimate vendor whether the undyed diesel fuel is sold to the owner, tenant, or operator of the farm or some other person (such as a custom harvester) for use on a farm for farming purposes, discussed earlier.

**Content of claim.** For undyed diesel fuel, each claim (other than by a vendor) for credit or refund must contain the following information about the diesel fuel covered by the claim. Some of this information is on the form that you use to make the claim (discussed later). See the form instructions for information you have to attach.

- 1) The total number of gallons,
- 2) A statement that tax has been imposed on the fuel,
- 3) The purpose (by specific category) for which the fuel was used,

- 4) A declaration that you have proof of exportation for fuel that was exported, and
- 5) A declaration that you have the name and address of the person(s) who sold you the fuel and the dates of the purchases.

**Special rule for vendors.** The claim by a registered ultimate vendor must contain the following information. Some of this information is on the form that you use to make the claim (discussed later). See the form instructions for information you have to attach.

- 1) The total number of gallons,
- 2) A statement that tax has been imposed on the fuel,
- 3) The vendor's registration number,
- 4) The name and taxpayer identification number of each person (farmer, custom harvester, or governmental unit) who bought the diesel fuel from the vendor,
- 5) The number of gallons sold to each person,
- 6) A statement that the vendor has:
  - a) Not included the tax in the price of the diesel fuel and has not collected the tax from the buyer,
  - b) Repaid the tax to the ultimate purchaser, or
  - c) Gotten the written consent of the buyer to the allowance of the credit.
- 7) A statement that the vendor has an unexpired certificate from the buyer and no reason to believe any information in the certificate is false.

A registered ultimate vendor can claim a refund of the tax for such fuel sold for any period of at least a week for which the claim is \$200 or more. No claim for refund is allowed unless filed by the end of the first quarter following the earliest quarter included in the claim. The IRS will pay interest on properly filed claims that are not paid within 20 days. See the Form 8849 instructions for the procedures for claiming the refund and the special address to use when filing the claim.

## Kerosene

Effective July 1, 1998, a credit or refund is allowable for tax paid on **undyed** kerosene used for a nontaxable purpose. Uses for which a credit or refund may be allowable:

- On a farm for farming purposes (Ultimate vendors only. See *Claims by vendors*, later.)
- Off-highway business use
- Use other than as a fuel in the propulsion engine of a diesel-powered highway vehicle or train, such as use in stationary motors or use as heating oil
- Use in intercity, local, or school buses (See *Qualified local bus* under *Fuels Used in Buses*, earlier.)
- Exclusive use of state and local governments (Ultimate vendors only. See *Claims by vendors*, later.)

- Exclusive use of nonprofit educational organizations
- Export, including shipment to a possession of the U.S.
- Use in a diesel-powered train
- Vehicle use by aircraft museums



**CAUTION** Only the ultimate vendor can claim a refund or credit for kerosene sold for **any** use if the sale is from a pump that is not suitable for use in fueling any diesel-powered highway vehicle or train. See *Claims by vendors*, later.

You cannot consider fuel used on a farm for farming purposes or by a state or local government as being used for any other qualifying purpose.

**Claims by vendors.** A registered ultimate vendor that sells **undyed** kerosene is the only person allowed to claim a refund or credit of the excise tax included in the price paid by the vendor for that fuel if the fuel:

- Is used on a farm for farming purposes,
- Is used by a state or local government, or
- Is sold from a pump that is not suitable for use in fueling any diesel-powered highway vehicle or train.

An ultimate vendor means the seller of the undyed kerosene to the user of the fuel (the ultimate purchaser). A registered ultimate vendor is an ultimate vendor registered by the Internal Revenue Service.

Generally, the vendor must not have included the tax in the price of the fuel sold for these uses. The buyers of the fuel cannot claim a credit or refund of the tax on this fuel.

A registered ultimate vendor can claim a refund of the tax for such fuel sold for any period of at least a week for which the claim is \$100 or more. No claim for refund is allowed unless filed by the end of the first quarter following the earliest quarter included in the claim. The IRS will pay interest on properly filed claims that are not paid within 20 days. See the Form 8849 instructions for the procedures for claiming the refund and the special address to use when filing the claim.

For more information, see *Special rule for vendors* under *Diesel Fuel*.

## Aviation Fuel

Uses of aviation fuel for which a credit or refund may be allowable:

- Use other than as a fuel in a propulsion engine of an aircraft
- Commercial aviation
- On a farm for farming purposes
- Aircraft museums
- Certain helicopters
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Export, including shipment to a possession of the U.S.

- Use for supplies for aircraft as explained in *Aviation Gasoline*, earlier



The credit or refund for fuel used in commercial aviation applies to the tax on aviation fuel for the period starting March 7, 1997.

**Aviation fuel** is any liquid, other than gasoline or diesel fuel, that is suitable for use as fuel in an aircraft.

**Fixed-wing aircraft.** Fuels used in providing emergency medical services by a fixed-wing aircraft equipped for and exclusively dedicated on that flight to acute care emergency medical services are exempt from the excise tax. This provision is retroactive to August 27, 1996. However, no refund or credit is allowed for excise tax paid on fuels that are used for this purpose.



As this publication was being prepared for print, Congress was considering legislation that would allow a refund or credit of the tax paid on fuels used by fixed-wing aircraft for this purpose.

## How To Claim a Credit or Refund

This part tells you when and how to make a claim for credit or refund of excise taxes included in the price of fuels you use for non-taxable purposes.

**Taxpayer identification number.** To file a claim for credit or refund, you MUST have a taxpayer identification number — an employer identification number (EIN), a social security number (SSN), or, if you are an alien individual and do not have and are not eligible to get an SSN, an individual taxpayer identification number (ITIN). If you normally file only a U.S. individual income tax return (such as Form 1040 or 1040NR), use your SSN or ITIN. You get an SSN by filing Form SS-5, *Application for a Social Security Card*. To get an ITIN, file Form W-7, *Application for IRS Individual Taxpayer Identification Number*, with the IRS.

If you operate a business, use your EIN. You get an EIN, by filing Form SS-4, *Application for Employer Identification Number*.



Keep at your principal place of business all records needed to enable the IRS to verify the amount you claimed. No special form is required, but the records should establish:

- The number of gallons purchased and used during the period covered by your claim,
- The dates of the purchases,
- The names and addresses of suppliers and amounts purchased from each in the period covered by your claim,
- The purpose for which you purchased and used the fuel, and
- The number of gallons used for each purpose.

It is important that your records show separately the number of gallons used for a purpose that qualifies as a claim.

## Claiming a Credit

You make a claim for credit on **Form 4136** and attach it to your income tax return. Do not claim a credit for any tax for which you have filed a refund claim.

**When.** You can claim a fuel tax credit on your income tax return for the year you used the fuels. Also, you may be able to make a fuel tax claim on an amended return for that year. You must file the claim within the time prescribed by law. Ordinarily, you must file an amended return by the **later** of 3 years from the date you filed your original income tax return or within 2 years from the time you paid the income tax. A return filed early is considered to have been filed on the due date.

**How to claim a credit.** How you claim a credit depends on whether you are an individual, partnership, corporation, S corporation, or farmers' cooperative.

**Individuals.** You claim the credit on line 59 of Form 1040. Check box b on line 59. If you would not otherwise have to file an income tax return, you must do so to get a fuel tax credit. See the instructions for Form 1040.

**Partnerships.** A partnership cannot claim the credit on Form 1065, *U.S. Partnership Return of Income*. The partnership must attach a statement to Form 1065 showing the number of gallons allocated to each partner and the rate that applies. Each partner claims the credit on his or her income tax return for his or her share of the fuel used by the partnership.

**Corporations.** To claim the credit, corporations use either line 32g of Form 1120, *U.S. Corporation Income Tax Return*, or line 28g of Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*.

**S corporations.** To claim the credit, S corporations use line 23c of Form 1120S, *U.S. Income Tax Return for an S Corporation*.

**Farmers' cooperative associations.** If the cooperative must file Form 990-C, *Farmers' Cooperative Association Income Tax Return*, it uses line 32g to claim the credit.

**Trusts.** Trusts required to file Form 1041, *U.S. Income Tax Return for Estates and Trusts*, use line 25g to claim the credit.

## Claiming a Refund

You may be eligible to claim a refund during the tax year rather than waiting until you file your income tax return for the year to claim a credit. However, you cannot claim a refund for excise tax on gasoline, special motor fuel, or compressed natural gas you use on your farm for farming purposes.

**Form 8849.** If you meet the quarterly amount requirements (discussed later), you can use Form 8849 to file a claim for refund. Fill out the appropriate lines and follow the line instructions for additional information you need to include with your claim for refund.

**Form 720.** If you file Form 720, you can use the Schedule C portion of Form 720 for your claims, rather than Form 8849. You must still meet the quarterly amount requirements (discussed next).

**Quarterly amount requirements.** You can file a quarterly refund claim for any of the first three quarters of your tax year for which you qualify. To qualify for a quarterly refund, you

must claim the following amounts for fuel used during the quarter:

- 1) At least \$1,000 for **gasoline** used for a qualifying purpose (other than use on a farm for farming purposes) listed under *Gasoline* and *Aviation Gasoline*. However, certain uses of gasoline are included under item (2).
- 2) At least \$1,000 for:
  - a) **Special motor fuels and compressed natural gas** used for a qualifying purpose (other than use on a farm for farming purposes) listed in the discussions of those fuels,
  - b) **Gasoline** used by aircraft museums,
  - c) **Gasoline** used in certain helicopters as explained under *Aviation Gasoline*, earlier,
  - d) **Gasoline blendstocks** not used to produce gasoline,
  - e) **Undyed diesel fuel** used in intercity and local buses discussed under *Fuels Used in Buses*, and
  - f) **Gasohol** used in noncommercial aviation.
- 3) At least \$750 for **undyed diesel fuel, kerosene** (effective July 1, 1998), and **aviation fuel** used for a qualifying purpose listed in the discussions of those fuels. This does not apply to undyed diesel fuel or kerosene used on a farm for farming purposes, used by a state or local government, or included in item (2).

These quarterly amount requirements apply to the first three quarters of your tax year. You must meet the requirement for each category for which you are making a refund claim. Generally, you cannot claim a refund if you do not meet the requirement for the quarter. To claim the amount, you must file a claim for credit on Form 4136.

If you do not meet the quarterly amount (at least \$750) for the third category, you carry the amount to the next quarter to determine if you can claim at least \$750 for that quarter.

**Fourth quarter claims.** You cannot file a quarterly claim for refund for the fourth quarter of your tax year. You file claims for the fourth quarter as a credit on your income tax return.



Special rules apply to refund claims filed by gasohol blenders and registered ultimate vendors of undyed diesel fuel or undyed kerosene, as discussed earlier. See the Form 8849 instructions for more information.

**When.** You must file a quarterly claim by the last day of the quarter following the end of the quarter for which the claim is being filed. If you file your claim late, you are not allowed a refund. Instead, you add the disallowed refund amount to any claim for credit and claim it on your income tax return, as explained earlier.

**Users not subject to income tax.** The following can file a yearly claim for refund:

- 1) A department, agency, or instrumentality of the United States;

- 2) A state (including an Indian tribal government), county, city, or other subdivision of a state;
- 3) An agency or instrumentality of one or more states, counties, cities, etc.; and
- 4) An organization granted an exemption from the income tax and not required to file an income tax return. (Aircraft museums are in this category.)

If at the close of your tax year, you are eligible for an amount for which you have not filed quarterly claims (including your fourth quarter), you can file an annual refund claim for these amounts within the time allowed for filing a claim for refund of overpayment of income tax.

For these users, a tax year is the 12-month period normally used to keep financial records. If the user has no regularly established tax year, the tax year is the calendar year.

## Interest

IRS pays no interest on refunds described in this publication other than expedited refunds not paid within 20 days to gasohol blenders and registered ultimate vendors (discussed earlier). Refunds resulting from credits claimed on income tax returns may qualify for interest.

## Penalties

There are criminal penalties for false or fraudulent claims. In addition, any person who claims an excessive amount (without reasonable cause) may have to pay a penalty. The penalty is the greater of two times the excessive amount or \$10.

## Including the Credit or Refund in Income

Include any credit or refund of excise taxes on fuels in your gross income if you claimed the taxes as an expense deduction that reduced your income tax liability.

The year you include a credit or refund in gross income depends on whether you use the cash or accrual method of accounting.

**Cash method.** If you use the cash method and file a claim for refund, include the refund in your gross income for the tax year in which you receive the refund. If you claim a credit on your income tax return, include the credit in gross income for the tax year in which you file Form 4136. If you file an amended return and claim a credit, include the credit in gross income for the tax year in which you receive it.

**Example 1.** Ed Brown, a cash basis farmer, filed his 1997 Form 1040 on March 1, 1998. On his Schedule F, Ed deducted the total cost of gasoline (including \$110 of excise taxes) used on the farm. Then, on Form 4136, Ed claimed the \$110 of excise tax paid on the gasoline as a credit. Ed reports the \$110 as additional income on his 1998 Schedule F.

**Example 2.** March Corporation uses the calendar year as its tax year. For 1997, the corporation claimed the following amounts for gasoline excise tax included in the price of the gasoline it used each quarter:

January 1 through March 31	\$1,500
April 1 through June 30	1,200
July 1 through September 30	900
October 1 through December 31	1,300

The corporation deducts the entire cost of the gasoline (including the \$4,900 in excise taxes) it used during the year as a business expense on its corporation income tax return, thereby reducing its corporate income tax liability for that year.

**Form 8849.** March Corporation files quarterly refund claims for the first two quarters (ending March 31 and June 30). It cannot file a quarterly refund claim for the third quarter ending September 30 because the claim was under \$1,000. Neither can it file a quarterly refund claim for the fourth quarter ending December 31 because this is the last quarter of its tax year.

March Corporation files Form 8849 for two of the four quarters. Since it uses the cash method of accounting, the corporation includes \$2,700 (\$1,500 + \$1,200) in its gross income for the tax year in which it receives the refunds (1997).

**Form 4136.** The corporation claims the remaining amounts as a credit (\$900 + \$1,300) on its 1997 income tax return by attaching Form 4136. It includes this credit (\$2,200) in its 1998 gross income.

**Accrual method.** If you use an accrual method, include the entire claim in gross income for the tax year in which the qualifying use occurred. It does not matter if an accrual-basis taxpayer filed for a quarterly refund or claimed the entire amount as a credit.

**Example 3.** Todd Green uses an accrual method. He filed his 1997 return on April 15, 1998. On Schedule C he deducted the total cost of gasoline (including \$155 of excise taxes) used in an off-highway business vehicle during 1997. On Form 4136, Todd claimed the \$155 excise tax as a credit. He must report the \$155 as additional income on his 1997 Schedule C.

**Example 4.** Use the same facts as in Example 2 above. However, March Corporation uses an accrual method of accounting. Since the qualifying use occurred in 1997, the corporation reports \$4,900 as income on its 1997 income tax return. This consists of the \$2,700 it filed on Form 8849 and the \$2,200 it filed on Form 4136.

## Alcohol Fuels Credit

If you sell or use alcohol as a fuel, you may be eligible for an income tax credit. The credit applies both to straight alcohol and to certain alcohol mixtures.

Alcohol covered by the credit includes methanol and ethanol. But it does not include alcohol produced from petroleum, natural gas, or coal (including peat). It also does not include alcohol with a proof of less than 150 or ethanol produced as a by-product from manufacturing ethylcellulose derived from ethane. Methanol produced from methane gas formed in waste disposal sites is not "alcohol produced from natural gas."

**Straight alcohol.** You can claim the credit for any alcohol not mixed with any other fuel. You do not produce a mixture by adding denaturants to alcohol.

You are eligible for the credit for straight alcohol only if during the tax year:

- 1) You used it as a fuel in your trade or business, or
- 2) You sold it at retail and placed it in the fuel tank of the buyer's vehicle.

The buyer cannot claim the credit for the alcohol bought at retail, even if the buyer uses it as a fuel in a trade or business.

**Mixing or failure to use as fuel.** If the credit applied to alcohol that you bought, and you later mix the alcohol or do not use it as a fuel, you must pay a tax equal to the credit. Report this tax on Form 720, *Quarterly Federal Excise Tax Return*.

**Alcohol mixture.** You can take the credit for alcohol you use to produce a qualified mixture. A qualified mixture is a mixture of alcohol with gasoline or with a special fuel. You do not treat adding denaturants to alcohol as the production of a mixture.

You can take the credit only for a mixture you produce. You must sell the mixture for use as a fuel, not merely as an octane enhancer, or use it as a fuel in your trade or business. You can claim the credit whether you sell the fuels directly to the user or to a buyer for resale to the user. Take into account alcohol you use to produce a qualified mixture only if the sale or use is in your trade or business and only for the tax year in which the sale or use occurs.

A special fuel is any liquid fuel, other than gasoline, that is suitable for use in an internal combustion engine.

You cannot take a credit for the casual off-farm production of a qualified mixture.

If you combine alcohol eligible for the credit with alcohol that is not eligible and use the combined alcohol in a way that qualifies for the credit, you figure the credit based on the proportionate amount of eligible alcohol contained in the combined alcohol.

**Separation or failure to use as fuel.** If the credit applied to alcohol used in the production of a qualified mixture, and you later separate the alcohol from the mixture or do not use the mixture as fuel, you must pay a tax equal to the credit. Report this tax on Form 720.

**Amount of credit.** The proof content of the alcohol determines the amount of the credit. You figure the proof without considering denaturants added to the alcohol.

The credit is 60 cents a gallon for alcohol (other than ethanol) that is at least 190 proof. The credit is 45 cents a gallon for alcohol (other than ethanol) that is at least 150 proof but less than 190 proof.

For ethanol the rates are 54 cents a gallon if at least 190 proof, and 40 cents a gallon if at least 150 proof but less than 190 proof.

You may have been entitled to a reduced rate or an exemption for the federal excise tax on motor fuels used in certain alcohol mixtures. You must reduce the amount of credit allowable on these mixtures (such as gasohol) by any benefit provided by the reduced rate or exemption available for the alcohol mixtures.

When figuring the number of gallons of alcohol sold or used, include the volume of any denaturant (including gasoline) added

under formulas approved by the Secretary of the Treasury. Also include the denaturant when you figure the percentage of any mixture that is alcohol. However, denaturants can be counted only up to 5% of the total volume of alcohol.

**Small ethanol producer credit.** If you are an eligible small ethanol producer, you qualify for a credit on up to 15 million gallons of your qualified ethanol fuel production. This additional alcohol fuel credit is 10 cents for each gallon.

You are an eligible producer if, at all times during the tax year, you have an annual productive capacity for alcohol of not more than 30 million gallons.

For a partnership, trust, or S corporation, the gallon limits apply at both the entity level and the partner, beneficiary, or shareholder level.

Your qualified ethanol fuel production is any ethanol you produce and which during the tax year you sell to another person:

- 1) For use in the production of a qualified mixture in that person's trade or business (except casual off-farm production),
- 2) For use as a fuel in that person's trade or business, or
- 3) For sale at retail to another person if the ethanol is put in the fuel tank of the buyer's vehicle.

It also includes your use or sale of the ethanol for these purposes.

Qualified ethanol fuel production does not include any alcohol bought by a producer who then increases the proof of the alcohol by additional distillation.

**How to claim the alcohol fuels credit.** You take the alcohol fuels credit by completing Form 6478, *Credit for Alcohol Used as Fuel*, and attaching it to your income tax return. All individuals and corporations taking the credit use Form 6478. Partnerships, S corporations, estates, and trusts figure the credit on Form 6478 but divide the credit among their partners, shareholders, or beneficiaries.

If you take the alcohol fuels credit, you must include the credit for the tax year in your gross income for that year.

You may choose not to take the alcohol fuels credit even though you qualify to take it. You can make (or change) this choice at any time within 3 years after the last day (without regard to extensions) for filing your return for the tax year in which the credit arises.

**General business credit.** You combine the alcohol fuels credit with other credits to figure your general business credit for the year. See the Form 6478 instructions for a list of these credits and when you must file Form 3800, *General Business Credit*.

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## Example

Steven S. Sands used undyed diesel fuel in vehicles used off the highway in his construction business. The vehicles were not

registered (or required to be registered) for highway use. He used 17,290 gallons in 1997. He bought the fuel at a price that included the excise tax at the rate shown. His records show the following:

Quarter	Gallons Used	Tax Rate	Claim Amount
First	5,690	24.3	\$1,382.67
Second	2,000	24.3	486.00
Third	3,600	24.3	874.80
Fourth	6,000	24.4	1,464.00

Steven filed a Form 8849 (not shown) for the first quarter of 1997. He claimed a refund of \$1,382.67. Steven did not file for the second quarter because his claim was less than \$750. For the third quarter, Steven used the special rule for undyed diesel fuel, which allowed him to add together the second and third quarter totals (\$486 + 874.80 = \$1,360.80). He filed a refund claim for \$1,360.80 on Form 8849.

For the fourth quarter, Steven filed Form 4136 (shown later) with his 1997 income tax return on March 1, 1998. Steven includes the information required by the form (not shown).

He received the \$1,382.67 refund in May of 1997 and the \$1,360.80 refund in December of 1997.

Steven used the cash method of accounting. On his 1997 Schedule C, he deducted the total cost of the fuel, which included the excise tax. Steven must include on line 6 of Schedule C the excise tax refunds (\$2,743.47) that he received in 1997 by filing Form 8849. When Steven files his 1998 Form 1040, he will include \$1,464 as additional income on Schedule C.

## Credit for Federal Tax Paid on Fuels

Department of the Treasury  
Internal Revenue Service

▶ See the Instructions for Form 4136.  
▶ Attach this form to your income tax return.

1997

Attachment  
Sequence No. **23**

Name (as shown on your income tax return) Steven S. Sands	Taxpayer identification number 514-00-3894
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**Caution:** You cannot claim any amounts on Form 4136 that you claimed on Form 8849, Form 843, or Schedule C (Form 720).

### 1 Nontaxable Use of Gasoline

	Type of use	Rate	Gallons	Amount of credit	CRN
a Off-highway business use		\$	}		301
b Use on a farm for farming purposes					
c Other nontaxable use					

### 2 Nontaxable Use of Gasohol

	Type of use	Rate	Gallons	Amount of credit	CRN
a Gasohol containing at least 10% alcohol		\$	}		312
b Gasohol containing at least 7.7% alcohol but less than 10% alcohol					
c Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol					

### 3 Nontaxable Use of Undyed Diesel Fuel (Lines 3a, b, and c) Sales by Registered Ultimate Vendors of Undyed Diesel Fuel (Line 3d)

Claimant certifies that the diesel fuel did not contain visible evidence of dye.  
If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach a detailed explanation and check here

	Type of use	Rate	Gallons	Amount of credit	CRN
<p><b>Lines 3a, b, and c:</b> Claimant has the name and address of the person(s) who sold the diesel fuel to the claimant and the date(s) of the purchase(s), and if exported, the required proof of export.</p>					
a Heating oil		\$	}	\$1,464	303
b Off-highway business use		.244			
c Other nontaxable use (excluding use on a farm for farming purposes)					
d Claimant, a <b>registered ultimate vendor</b> , sold diesel fuel for use by the buyer on a farm for farming purposes, or to a state or local government for its exclusive use. Claimant obtained the required certificate from the buyer and has no reason to believe any of the information in the certificate is false.					

### 4 Nontaxable Use of Special Fuels

	Type of use	Rate	Gallons	Amount of credit	CRN
a Special motor fuels (other than LPG, LNG, or fuels used in intercity or local buses)		\$	}		304
b Liquefied petroleum gas (LPG) or liquefied natural gas (LNG)					
c Special motor fuels used in intercity or local buses					
d Compressed natural gas (credit rate per thousand cubic feet)					

**5 Nontaxable Use of Aviation Gasoline**

	Type of use	Rate	Gallons	Amount of credit	CRN
a	Used in commercial aviation (other than foreign trade)	\$	}		307
b	Other nontaxable use				

**6 Nontaxable Use of Aviation Fuel (other than gasoline)**

	Type of use	Rate	Gallons	Amount of credit	CRN
a	Used in commercial aviation (other than foreign trade)	\$	}		310
b	Other nontaxable use				

**7 Gasohol Blenders**

Claimant bought gasoline taxed at the full rate (\$.183/.184) and blended it with alcohol to make gasohol. The gasohol was used or sold for use in a trade or business. For **each batch** of gasohol, claimant has the required information relating to the purchase of the gasoline and alcohol used to make the gasohol and to support the amount claimed.

**Percentage of alcohol in the gasohol**

	Rate	Gallons of gasoline	Amount of credit	CRN
a	At least 10% alcohol	}		302
b	At least 7.7% alcohol but less than 10% alcohol			
c	At least 5.7% alcohol but less than 7.7% alcohol			

**8 Use of Undyed Diesel Fuel—Train and Intercity and Local Bus**

Claimant certifies that the diesel fuel did not contain visible evidence of dye.  
 If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach a detailed explanation and check here

Claimant has the name and address of the person(s) who sold the diesel fuel to the claimant and the date(s) of the purchase(s).

	Rate	Gallons	Amount of credit	CRN
a	Diesel-powered trains	}		305
b	Intercity and local buses			

**9 Total Income Tax Credit Claimed**

Add lines 1 through 8. Enter here and on Form 1040, line 59 (also check box b on line 59); Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23c; Form 1041, line 25g; or the proper line of other returns. ▶

<b>9</b>	\$	1,464		
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## How To Get More Information



You can get help from the IRS in several ways.

**Free publications and forms.** To order free publications and forms, call 1-800-TAX-FORM (1-800-829-3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address. Your local library or post office also may have the items you need.

For a list of free tax publications, order Publication 910, *Guide to Free Tax Services*.

It also contains an index of tax topics and related publications and describes other free tax information services available from IRS, including tax education and assistance programs.

If you have access to a personal computer and modem, you also can get many forms and publications electronically. See *Quick and Easy Access to Tax Help and Forms* in your income tax package for details.

**Tax questions.** You can call the IRS with your tax questions. Check your income tax package or telephone book for the local number, or you can call 1-800-829-1040.

**TTY/TDD equipment.** If you have access to TTY/TDD equipment, you can call 1-800-829-4059 with your tax questions or to order forms and publications. See your income tax package for the hours of operation.

**Evaluating the quality of our telephone services.** To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our "800 number" telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.

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## Tax Publications for Individual Taxpayers

### General Guides

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax (For Individuals)
- 225 Farmer's Tax Guide
- 334 Tax Guide for Small Business
- 509 Tax Calendars for 1998
- 553 Highlights of 1997 Tax Changes
- 595 Tax Highlights for Commercial Fishermen
- 910 Guide to Free Tax Services

### Specialized Publications

- 3 Armed Forces' Tax Guide
- 378 Fuel Tax Credits and Refunds
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 502 Medical and Dental Expenses
- 503 Child and Dependent Care Expenses
- 504 Divorced or Separated Individuals
- 505 Tax Withholding and Estimated Tax
- 508 Educational Expenses
- 514 Foreign Tax Credit for Individuals
- 516 U.S. Government Civilian Employees Stationed Abroad
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 519 U.S. Tax Guide for Aliens
- 520 Scholarships and Fellowships
- 521 Moving Expenses
- 523 Selling Your Home
- 524 Credit for the Elderly or the Disabled
- 525 Taxable and Nontaxable Income
- 526 Charitable Contributions
- 527 Residential Rental Property
- 529 Miscellaneous Deductions

- 530 Tax Information for First-Time Homeowners
- 531 Reporting Tip Income
- 533 Self-Employment Tax
- 534 Depreciating Property Placed in Service Before 1987
- 537 Installment Sales
- 541 Partnerships
- 544 Sales and Other Dispositions of Assets
- 547 Casualties, Disasters, and Thefts (Business and Nonbusiness)
- 550 Investment Income and Expenses
- 551 Basis of Assets
- 552 Recordkeeping for Individuals
- 554 Older Americans' Tax Guide
- 555 Federal Tax Information on Community Property
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 559 Survivors, Executors, and Administrators
- 561 Determining the Value of Donated Property
- 564 Mutual Fund Distributions
- 570 Tax Guide for Individuals With Income From U.S. Possessions
- 575 Pension and Annuity Income
- 584 Nonbusiness Disaster, Casualty, and Theft Loss Workbook
- 587 Business Use of Your Home (Including Use by Day-Care Providers)
- 590 Individual Retirement Arrangements (IRAs) (Including SEP-IRAs and SIMPLE IRAs)
- 593 Tax Highlights for U.S. Citizens and Residents Going Abroad
- 594 Understanding the Collection Process
- 596 Earned Income Credit
- 721 Tax Guide to U.S. Civil Service Retirement Benefits

- 901 U.S. Tax Treaties
- 907 Tax Highlights for Persons with Disabilities
- 908 Bankruptcy Tax Guide
- 911 Direct Sellers
- 915 Social Security and Equivalent Railroad Retirement Benefits
- 919 Is My Withholding Correct for 1998?
- 925 Passive Activity and At-Risk Rules
- 926 Household Employer's Tax Guide
- 929 Tax Rules for Children and Dependents
- 936 Home Mortgage Interest Deduction
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 950 Introduction to Estate and Gift Taxes
- 967 IRS Will Figure Your Tax
- 968 Tax Benefits for Adoption
- 1542 Per Diem Rates
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Problem Resolution Program of the Internal Revenue Service

### Spanish Language Publications

- 1SP Derechos del Contribuyente
- 579SP Cómo Preparar la Declaración de Impuesto Federal
- 594SP Comprendiendo el Proceso de Cobro
- 596SP Crédito por Ingreso del Trabajo
- 850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- 1544SP Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)

## Commonly Used Tax Forms

- 1040 U.S. Individual Income Tax Return
  - Sch A Itemized Deductions
  - Sch B Interest and Dividend Income
  - Sch C Profit or Loss From Business
  - Sch C-EZ Net Profit From Business
  - Sch D Capital Gains and Losses
  - Sch E Supplemental Income and Loss
  - Sch EIC Earned Income Credit
  - Sch F Profit or Loss From Farming
  - Sch H Household Employment Taxes
  - Sch R Credit for the Elderly or the Disabled
  - Sch SE Self-Employment Tax
- 1040EZ Income Tax Return for Single and Joint Filers With No Dependents
- 1040A U.S. Individual Income Tax Return
  - Sch 1 Interest and Dividend Income for Form 1040A Filers

- Sch 2 Child and Dependent Care Expenses for Form 1040A Filers
- Sch 3 Credit for the Elderly or the Disabled for Form 1040A Filers
- 1040-ES Estimated Tax for Individuals
- 1040X Amended U.S. Individual Income Tax Return
- 2106 Employee Business Expenses
- 2106-EZ Unreimbursed Employee Business Expenses
- 2119 Sale of Your Home
- 2210 Underpayment of Estimated Tax by Individuals, Estates and Trusts
- 2441 Child and Dependent Care Expenses
- 2848 Power of Attorney and Declaration of Representative
- 3903 Moving Expenses
- 4562 Depreciation and Amortization

- 4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- 4952 Investment Interest Expense Deduction
- 5329 Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts
- 6251 Alternative Minimum Tax—Individuals
- 8283 Noncash Charitable Contributions
- 8582 Passive Activity Loss Limitations
- 8606 Nondeductible IRAs (Contributions, Distributions, and Basis)
- 8822 Change of Address
- 8829 Expenses for Business Use of Your Home

## Tax Publications for Business Taxpayers

### General Guides

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax (For Individuals)
- 225 Farmer's Tax Guide
- 334 Tax Guide for Small Business
- 509 Tax Calendars for 1998
- 553 Highlights of 1997 Tax Changes
- 595 Tax Highlights for Commercial Fishermen
- 910 Guide to Free Tax Services

### Employer's Guides

- 15 Employer's Tax Guide (Circular E)
- 15-A Employer's Supplemental Tax Guide
- 51 Agricultural Employer's Tax Guide (Circular A)
- 80 Federal Tax Guide For Employers in the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (Circular SS)
- 179 Guía Contributiva Federal Para Patronos Puertorriqueños (Circular PR)
- 926 Household Employer's Tax Guide

### Specialized Publications

- 378 Fuel Tax Credits and Refunds

- 463 Travel, Entertainment, Gift, and Car Expenses
- 505 Tax Withholding and Estimated Tax
- 510 Excise Taxes for 1998
- 515 Withholding of Tax on Nonresident Aliens and Foreign Corporations
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 527 Residential Rental Property
- 533 Self-Employment Tax
- 534 Depreciating Property Placed in Service Before 1987
- 535 Business Expenses
- 536 Net Operating Losses
- 537 Installment Sales
- 538 Accounting Periods and Methods
- 541 Partnerships
- 542 Corporations
- 544 Sales and Other Dispositions of Assets
- 551 Basis of Assets
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 560 Retirement Plans for Small Business (SEP, Keogh, and SIMPLE Plans)
- 561 Determining the Value of Donated Property
- 583 Starting a Business and Keeping Records
- 587 Business Use of Your Home (Including Use by Day-Care Providers)
- 594 Understanding the Collection Process

- 597 Information on the United States-Canada Income Tax Treaty
- 598 Tax on Unrelated Business Income of Exempt Organizations
- 686 Certification for Reduced Tax Rates in Tax Treaty Countries
- 901 U.S. Tax Treaties
- 908 Bankruptcy Tax Guide
- 911 Direct Sellers
- 925 Passive Activity and At-Risk Rules
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 953 International Tax Information for Businesses
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Problem Resolution Program of the Internal Revenue Service

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- 1SP Derechos del Contribuyente
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- 594SP Comprendiendo el Proceso de Cobro
- 850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- 1544SP Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)

## Commonly Used Tax Forms

- W-2 Wage and Tax Statement
- W-4 Employee's Withholding Allowance Certificate
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return
- 940EZ Employer's Annual Federal Unemployment (FUTA) Tax Return
- 1040 U.S. Individual Income Tax Return
  - Sch A Itemized Deductions
  - Sch B Interest and Dividend Income
  - Sch C Profit or Loss From Business
  - Sch C-EZ Net Profit From Business
  - Sch D Capital Gains and Losses
  - Sch E Supplemental Income and Loss
  - Sch F Profit or Loss From Farming
  - Sch H Household Employment Taxes
  - Sch R Credit for the Elderly or the Disabled
  - Sch SE Self-Employment Tax
- 1040-ES Estimated Tax for Individuals
- 1040X Amended U.S. Individual Income Tax Return

- 1065 U.S. Partnership Return of Income
  - Sch D Capital Gains and Losses
  - Sch K-1 Partner's Share of Income, Credits, Deductions, etc.
- 1120 U.S. Corporation Income Tax Return
- 1120-A U.S. Corporation Short-Form Income Tax Return
- 1120S U.S. Income Tax Return for an S Corporation
  - Sch D Capital Gains and Losses and Built-In Gains
  - Sch K-1 Shareholder's Share of Income, Credits, Deductions, etc.
- 2106 Employee Business Expenses
- 2106-EZ Unreimbursed Employee Business Expenses
- 2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts
- 2441 Child and Dependent Care Expenses
- 2848 Power of Attorney and Declaration of Representative

- 3800 General Business Credit
- 3903 Moving Expenses
- 4562 Depreciation and Amortization
- 4797 Sales of Business Property
- 4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- 5329 Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts
- 6252 Installment Sale Income
- 8283 Noncash Charitable Contributions
- 8300 Report of Cash Payments Over \$10,000 Received in a Trade or Business
- 8582 Passive Activity Loss Limitations
- 8606 Nondeductible IRAs (Contributions, Distributions, and Basis)
- 8822 Change of Address
- 8829 Expenses for Business Use of Your Home